

6 JAN 1961

MEMORANDUM FOR: Deputy Director (Plans)

SUBJECT : Re-evaluation of Vietnam Program

REFERENCE : Memorandum for Mr. Richard Bissell, Jr., CIA
from D. A. FitzGerald, Deputy Director Ops, ICA,
23 November 1960

1. The referenced memorandum poses the question whether, in light of recent intelligence reports and Secretary Parsons' evaluation of the situation in Vietnam, the balance of FY 61 economic assistance should be approved and released to the Government of Vietnam.

2. The memorandum cites SNIE 63.1-60 23 August 1960 to the effect that discontent with the Diem regime is rapidly mounting and will "almost certainly in time cause the collapse of Diem's regime". The memorandum also cites Secretary Parsons' cable (SAIG Embtel 882 23 October) as follows: ".....in the long run, our extensive aid can only be effective if his (Diem's) regime regains the active loyalty of the Vietnamese people.". The reference concludes that "to commit the U. S. now, without further consideration, to make available the balance of the \$135,000,000 of FY 61 economic assistance when the strong possibility is that this assistance cannot be effective would be unwise." Finally, the referenced memorandum states that if the situation is as black as it would appear, it would seem advisable for the U. S. to promptly consider the alternatives that exist to the present leadership.

3. While we cannot comment directly on the wisdom of the release of economic aid at this time as that is a matter beyond our purview, we believe that the referenced memorandum does not give full weight to another important element in the deterioration of the situation in South Vietnam. That element is, of course, communist guerilla pressure against the Diem regime.

4. We take it as a matter of well tested doctrine that the defeat of communist infiltration and subversion in an underdeveloped nation such as Vietnam is achieved first by the creation of effective and flexible military

State Dept. review completed

HS/CSG-293

HISTORICAL DOCUMENT

Destroy only with consent
of the Historical Staff

Name:

Date: 16 NOV 1965

SECRET

SECRET

force which can confront and defeat the communist guerilla forces in remote non-urban areas. This military effort must then be combined with pervading political, economic and sociological activities designed to win the support of the population and to deprive the communists of that support.

5. President Diem has thus far insisted primarily on pursuing the military aspects of the problems of dissidence in his country and has, as the reference so rightly points out, failed to take the steps which would lead to insuring his popular support. However, there are encouraging signs that Diem is at least considering measures of reform which would respond in part to the urgings of Ambassador Durbrow and Secretary Parsons.

6. While it may be possible, as the reference suggests, to place considerable pressure on President Diem to make the necessary reforms by withholding economic aid releases, [REDACTED]

[REDACTED] Diem has, on many occasions, stood alone against American advice and has in the end, won the day for Vietnam. Since 1954 the U. S. has invested in Vietnam and more specifically in the Diem regime, one and one half billion dollars. The motivation for these investments has been very clear, for the alternatives have been either to support Vietnam and its strong nationalistic leader, Diem, or to take the very considerable risk of losing this key South-east Asian state to communist control.

7. We do not believe that the passage of time has altered these alternatives both because the communist threat not only continues to grow but also because no other leader of equal stature as Diem has appeared on the scene in Vietnam.

[REDACTED]

8. We believe that the Diem regime can be brought to reform itself to a degree. This reform however, can probably not be brought about by pressuring Diem but rather by leading him to participate in and eventually adopt certain specific activities which would have to be financed by the U. S. on a model or test basis. It was in this manner that Diem was previously

persuaded to adopt land reform, to institute the press office of the Presidency which became one of the vehicles of his popularization, to make personal unannounced visits to the provinces to discuss with the peasantry their particular problems.

10. Without substantial U. S. economic aid at this time Diem and South Vietnam face a critical situation with respect to the military containment of the communists. Without this aid any hope for eventual reform would be lost.

Signed William V. Broe

Desmond FitzGerald,
Chief, Far East Division

25X1 [redacted] emf (5 Jan 1961)

Distribution:

Orig & 1 - Addressee

1 - CFE

① - COP

①

4 - [redacted]

8 JAN 1961

SECRET (When Filled In)

AREA OR COUNTRY(S)	ORGANIZATION(S)	GENERAL FUNCTION(S)	SPECIFIC FUNCTION(S)	DOC DATE CLASS
Vietnam	FE	DDP	Economic Aid	6 Jan 61

IDENTIFICATION OF DOCUMENT

Memo from C/FE to DDP, Subj: Re-evaluation of Vietnam Program.

ABSTRACT NOTATION REFERENCES

Memo discusses an evaluation of FY 61 economic assistance to the Government of Vietnam.

DOCUMENT LOCATION

HS/CSG 293

Approved For Release 2007/03/12 : CIA-RDP83-00036R000200020009-8